

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature <i>Siegfried Crandall P.C.</i>			Date	

Township of Wakeshma
Kalamazoo County, Michigan
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
Year ended March 31, 2005

CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	3 - 4
BASIC FINANCIAL STATEMENTS	
Government-wide financial statements:	
Statement of net assets	5
Statement of activities	6
Fund financial statements:	
Balance sheet - governmental fund	7
Statement of revenues, expenditures, and changes in fund balance - governmental fund	8
Notes to financial statements	9 - 12
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary comparison schedules:	
General Fund	13 - 14

INDEPENDENT AUDITORS' REPORT

**Board of Trustees
Township of Wakeshma, Michigan**

We have audited the accompanying financial statements of the governmental activities and the major fund of the Township of Wakeshma, Michigan, as of March 31, 2005, and for the year then ended, which collectively comprise the Township's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Township of Wakeshma, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Township of Wakeshma, Michigan, as of March 31, 2005, and the respective changes in financial position thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 7, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as of April 1, 2004.

The budgetary comparison information, on pages 13 through 14, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

**Board of Trustees
Township of Wakeshma, Michigan
Page 2**

The Township has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.

Siegfried Crandall P.C.

July 18, 2005

BASIC FINANCIAL STATEMENTS

Township of Wakeshma
STATEMENT OF NET ASSETS
March 31, 2005

	<u>Governmental activities</u>
ASSETS	
Current assets:	
Cash	\$ 62,218
Receivables (net)	<u>17,291</u>
Total current assets	<u>79,509</u>
Noncurrent assets:	
Capital assets (net of accumulated depreciation)	<u>27,025</u>
Total assets	<u>106,534</u>
NET ASSETS	
Invested in capital assets	27,025
Unrestricted	<u>79,509</u>
Total net assets	<u>\$ 106,534</u>

See notes to financial statements

Township of Wakeshma
STATEMENT OF ACTIVITIES
Year ended March 31, 2005

		<u>Program Revenues</u>		<u>Net (expenses) revenues and changes in net assets</u>
	<u>Expenses</u>	<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Governmental activities</u>
Functions/Programs				
Governmental activities:				
Legislative	\$ 1,000	\$ -	\$ -	\$ (1,000)
General government	72,420	600	3,410	(68,410)
Public safety	18,545	-	-	(18,545)
Public works	50,698	960	2,783	(46,955)
Community and economic development	<u>1,280</u>	<u>-</u>	<u>-</u>	<u>(1,280)</u>
Total governmental activities	<u>\$ 143,943</u>	<u>\$ 1,560</u>	<u>\$ 6,193</u>	<u>(136,190)</u>
General revenues:				
Taxes				57,543
State grants				95,855
Fines and forfeitures				467
Investment income				1,347
Other				<u>1,873</u>
Total general revenues				<u>157,085</u>
Change in net assets				20,895
Net assets - beginning				<u>85,639</u>
Net assets - ending				<u>\$ 106,534</u>

See notes to financial statements

Township of Wakeshma
BALANCE SHEET - governmental funds
March 31, 2005

ASSETS

Cash	\$ 62,218
Receivables	2,359
Due from other governmental units	<u>14,932</u>
Total assets	<u>\$ 79,509</u>

LIABILITIES AND FUND BALANCE

Liabilities - deferred revenue	<u>2,359</u>
Fund balance - unreserved, undesignated	77,150

Amounts reported for *governmental activities* in the statement of net assets (page 5) are different because:

Capital assets used in <i>governmental activities</i> are not financial resources and, therefore, are not reported in the fund.	27,025
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Unavailable revenue that was deferred in the General Fund is reported in the statement of net assets.	<u>2,359</u>
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Net assets of <i>governmental activities</i>	<u>\$ 106,534</u>
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Township of Wakeshma**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE****governmental fund**

Year ended March 31, 2005

REVENUES

Taxes	\$	53,098
State grants		95,855
Charges for services		1,560
Fines and forfeitures		467
Interest and rentals		4,597
Other		<u>4,816</u>
Total revenues		<u>160,393</u>

EXPENDITURES

Legislative		1,000
General government		73,822
Public safety		18,545
Public works		50,698
Community and economic development		<u>1,280</u>
Total expenditures		<u>145,345</u>

NET CHANGE IN FUND BALANCE		<u>15,048</u>
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FUND BALANCE - BEGINNING		<u>62,102</u>
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FUND BALANCE - ENDING	\$	<u><u>77,150</u></u>
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Net change in fund balance - total governmental funds	\$	15,048
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Amounts reported for *governmental activities* in the statement of activities (page 6) are different because:

Increase:

Capital outlay	3,029
Unavailable tax revenue deferred in the governmental fund	4,445

Decrease:

Provision for depreciation	<u>(1,627)</u>
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Change in net assets of <i>governmental activities</i>	\$	<u><u>20,895</u></u>
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See notes to financial statements

Township of Wakeshma
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Township of Wakeshma, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

a) Reporting entity:

The accompanying financial statements present only the Township. There are no component units, entities for which the Township is considered to be financially accountable.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. The effect of inter-fund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The General Fund is the only fund utilized by the Township.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the government.

Township of Wakeshma
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) *Measurement focus, basis of accounting, and financial statement presentation* (continued):

The Township has one major governmental fund. The General Fund is the government's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

d) *Assets, liabilities, and net assets or equity:*

i) *Bank deposits* - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Pooled interest income is proportionately allocated to all funds.

ii) *Receivables* - In general, outstanding balances between funds are reported as "due to/from other funds." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

iii) *Capital assets* - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning April 1, 2004.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	15 - 60 years
Equipment	3 - 10 years

iv) *Fund equity* - In the fund financial statements, governmental fund reports reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

v) *Property tax revenue recognition* - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1, and, accordingly, the total levy is recognized as revenue in the current year.

Township of Wakeshma
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year. The Township had no significant budget variations.

NOTE 3 - CASH:

The Township's total cash is reported in the general fund:

Deposits are carried at cost and are maintained at various financial institutions in the name of the Township. State statutes and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Township's deposits are in accordance with statutory authority. At March 31, 2005, the Township has deposits with a carrying amount of \$62,218 and a bank balance of \$72,643, all of which is covered by federal depository insurance.

NOTE 4 - RECEIVABLES:

Receivables as of year end for the Township's individual major and funds are as follows:

<u>Fund</u>	<u>Property taxes</u>	<u>Inter- governmental</u>	<u>Total</u>
General	\$ 2,360	\$ 14,931	\$ 17,291

All receivables are considered fully collectible.

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended March 31, 2005, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets being depreciated:				
Buildings	\$ 35,000	\$ -	\$ -	\$ 35,000
Equipment and vehicles	7,262	3,029	-	10,291
Subtotal	42,262	3,029	-	45,291

Township of Wakeshma
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended March 31, 2005, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Less accumulated depreciation for:				
Buildings	\$ 12,542	\$ 875	\$ -	\$ 13,417
Equipment and vehicles	<u>4,097</u>	<u>752</u>	<u>-</u>	<u>4,849</u>
Subtotal	<u>16,639</u>	<u>1,627</u>	<u>-</u>	<u>18,266</u>
Total capital assets (net)	<u>\$ 25,623</u>	<u>\$ 1,402</u>	<u>\$ -</u>	<u>\$ 27,025</u>

Depreciation expense was charged to the general governmental function of the Township.

NOTE 6 - RISK MANAGEMENT:

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for each of these claims and is neither self-insured, nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 7 - CHANGE IN ACCOUNTING PRINCIPLES:

Effective April 1, 2004, the Township implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, along with all related statements and interpretations. In connection with the implementation of this statement, the following adjustments to beginning net assets have been made to reflect the cumulative effect of this accounting change:

Net assets as previously reported	
General fund	\$ 62,102
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund.	25,623
Unavailable revenue that was deferred in the General Fund is reported in the statement of net assets.	<u>(2,086)</u>
Net assets, as restated	<u>\$ 85,639</u>

REQUIRED SUPPLEMENTARY INFORMATION

Township of Wakeshma
BUDGETARY COMPARISON SCHEDULE - General Fund
Year ended March 31, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes	\$ 53,600	\$ 53,600	\$ 53,098	\$ (502)
State grants	96,773	96,773	95,855	(918)
Charges for services	-	-	1,560	1,560
Fines and forfeitures	-	-	467	467
Interest and rentals	3,663	3,663	4,597	934
Other	2,592	2,592	4,816	2,224
Total revenues	<u>156,628</u>	<u>156,628</u>	<u>160,393</u>	<u>3,765</u>
EXPENDITURES				
Legislative	<u>22,950</u>	<u>1,200</u>	<u>1,000</u>	<u>200</u>
General government:				
Supervisor	4,000	4,000	4,000	-
Election	1,750	4,250	1,739	2,511
Assessor	9,500	10,400	9,760	640
Clerk	7,500	8,000	7,355	645
Board of review	800	800	520	280
Treasurer	8,200	8,200	8,132	68
Hall and grounds	5,060	7,700	4,633	3,067
Cemetery	9,050	9,200	8,320	880
Other	-	53,930	29,363	24,567
Total general government	<u>45,860</u>	<u>106,480</u>	<u>73,822</u>	<u>32,658</u>
Public safety - fire	<u>18,530</u>	<u>18,545</u>	<u>18,545</u>	<u>-</u>
Public works:				
Highways and streets	38,000	45,595	37,538	8,057
Street lights	2,600	3,000	2,884	116
Metro act	-	-	-	-
Drains	3,000	3,000	2,317	683
Sidewalks	1,390	1,400	1,386	14
Recycling	6,600	6,800	6,573	227
Total public works	<u>51,590</u>	<u>59,795</u>	<u>50,698</u>	<u>9,097</u>

Township of Wakeshma**BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)**

Year ended March 31, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued)				
Community and economic development - planning and zoning	\$ 1,150	\$ 1,750	\$ 1,280	\$ 470
Total expenditures	<u>140,080</u>	<u>187,770</u>	<u>145,345</u>	<u>42,425</u>
NET CHANGE IN FUND BALANCE	16,548	(31,142)	15,048	46,190
FUND BALANCE - BEGINNING	<u>62,102</u>	<u>62,102</u>	<u>62,102</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 78,650</u>	<u>\$ 30,960</u>	<u>\$ 77,150</u>	<u>\$ 46,190</u>